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1958

WESTERN DEPARTMENT STORES ANNUAL REPORT

1958

Fiscal year ending January 31, 1959

1958

Western Department Stores

Board of Directors

Harold V. Boggs
Herbert E. Clayburgh
Herbert I. Dunn
John J. Goldberg

Elliott McAllister
John J. Reilly
John J. Reilly, Jr.
L. L. Rusch
F. A. Wickett

Officers

John J. Reilly	Chairman of the Board
John J. Reilly, Jr.	President
L. L. Rusch	Secretary and Treasurer
John J. Goldberg	Assistant Secretary

Legal Counsel

Steinhart, Goldberg,
Feigenbaum & Ladar

Transfer Agent

Crocker-Anglo National
Bank
No. 1 Montgomery Street
San Francisco 20, Calif.

Public Accountants

Price Waterhouse &
Company

Registrar

Wells Fargo Bank
Montgomery and Market
San Francisco 4, Calif.

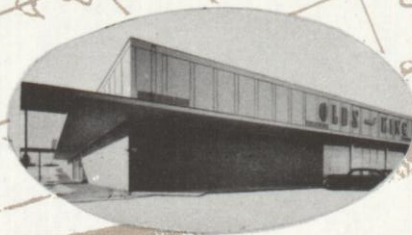
Annual Stockholders Meeting

Oakland, California • Tuesday, April 28, 1959, 11:00 o'clock a.m.

Executive Offices: 1501 Broadway (Kahns) • Oakland, California



Western Department Stores bring
WORLDS OF SHOPPING
to the Growing West...



KAHNS, Oakland, California

KAHNS, Concord, California

OLDS & KING, Portland, Oregon

OLDS & KING, Gateway, Portland

RHODES, Tacoma, Washington

RHODES, Lakewood, Tacoma

RHODES, Sacramento, California

RHODES, Fresno, California

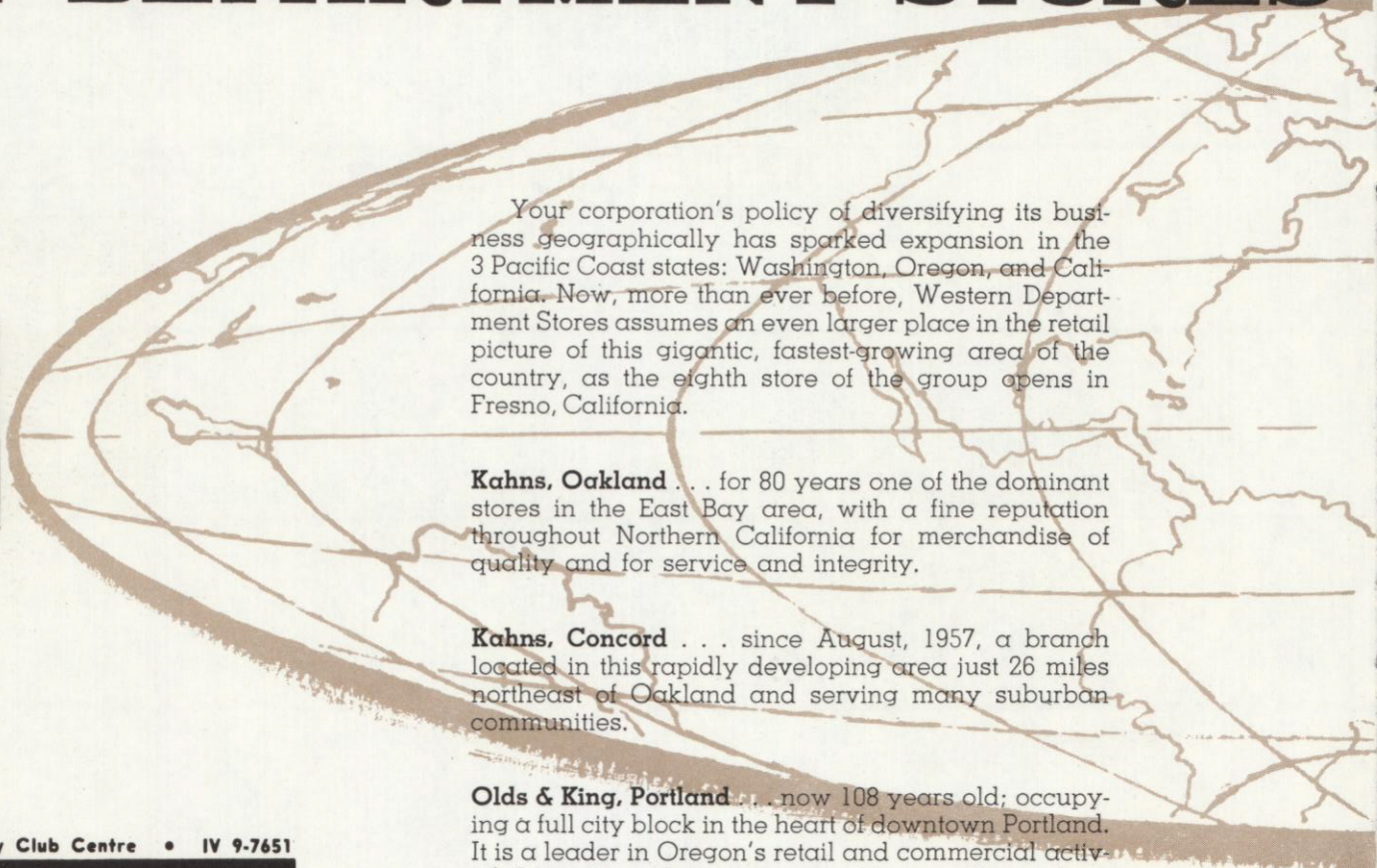


WESTERN DEPARTMENT STORES

it's
KAHNS
of course
OAKLAND • CONCORD

Country Club Centre • IV 9-7651

RHODES



Your corporation's policy of diversifying its business geographically has sparked expansion in the 3 Pacific Coast states: Washington, Oregon, and California. Now, more than ever before, Western Department Stores assumes an even larger place in the retail picture of this gigantic, fastest-growing area of the country, as the eighth store of the group opens in Fresno, California.

Kahns, Oakland . . . for 80 years one of the dominant stores in the East Bay area, with a fine reputation throughout Northern California for merchandise of quality and for service and integrity.

Kahns, Concord . . . since August, 1957, a branch located in this rapidly developing area just 26 miles northeast of Oakland and serving many suburban communities.

Olds & King, Portland . . . now 108 years old; occupying a full city block in the heart of downtown Portland. It is a leader in Oregon's retail and commercial activity. It has the added advantage of four nearby parking areas within a block of the store.

Olds & King, Gateway . . . now in its third year, this branch has a prominent place in the leadership of this constantly developing Eastside community.

...worlds of shopping for the WEST

Rhodes, Tacoma . . . for 67 years the "first" store in this area, known and respected for its fine quality merchandise and customer service. In addition to its many conveniences is a large parking area directly across the street.

Rhodes, Lakewood . . . this branch, located about 9 miles from downtown Tacoma, opened in 1957, and serves as a focal point for a densely populated area of new homes.

Rhodes, Sacramento . . . opened in 1954, marking the beginning of the expansion program for Western Department Stores. This store now has a fine reputation among the more than 400,000 customers in its trading area. Merchandised like a metropolitan store, and giving the extra services shoppers expect from such a store, Rhodes is situated in the thriving Country Club Centre, about 8 miles from downtown Sacramento.

Rhodes, Fresno . . . ground was broken in April of 1958 for this newest California store which opened less than a year later. Western Department Stores has always given first attention to communities with better-than-average trends in population, income, and retail sales. Because of this, the site chosen was Manchester Center, Fresno's three-year-old shopping area, which continues to show great promise of growth.

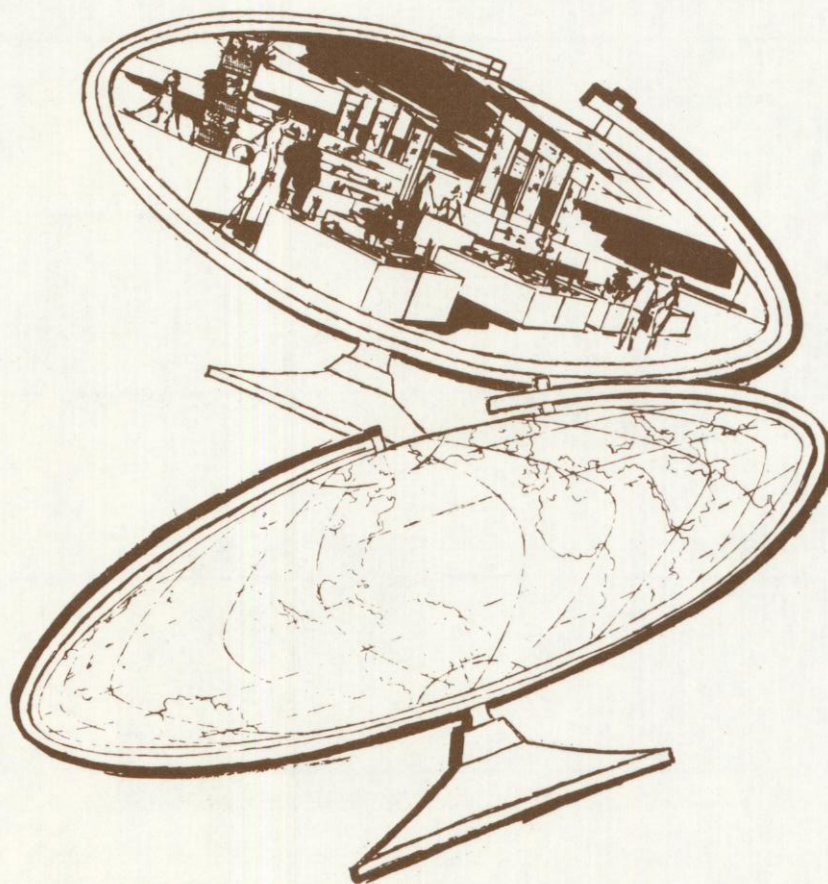
**OLDS
and
KING**

Rhodes
The QUALITY Store, Tacoma

RHODES

FRESNO • BALDWIN 2-5111

To the Stockholders of...



Presented herewith is the certified statement of income of your Company for the past fiscal year and the Corporation's balance sheet as of January 31, 1959 compared with the previous year.

SALES AND EARNINGS While sales for the year decreased 1% due to the effect of the recession in the early part of the year, the reduction in operating expenses enabled the company to increase its earnings by 19%. Net income per share this year was \$1.72 compared to \$1.45 last year.

FINANCIAL POSITION Working capital at the close of the year rose to \$16,823,246 compared to \$14,471,617 at the close of 1957.

On October 1, 1958 the Company received the final amount of \$2,000,000 from the loan agreement of April 25, 1956 with The Prudential Insurance Company of America. This amount was added to the funds necessary for the completion of the new store at Fresno, California and for other possible expansions. The loans mature October 1, 1973 and bear interest at the rate of $4\frac{1}{4}\%$ per annum.

DIVIDENDS Quarterly dividends were paid during the year at the rate of 20c a share. At the meeting of the Board of Directors on February 27, 1959, a quarterly dividend of 20c a share was declared and was paid on April 1, 1959.

WESTERN DEPARTMENT STORES

EXPANSION AND IMPROVEMENTS The building for the new store in the Manchester Shopping Center in Fresno, California was completed near the end of the year. Fixturing and stocking of this 110,000 square foot unit was completed in the first week of March and this newest unit opened on March 6, 1959. The customer response during the first few weeks has been very encouraging.

ORGANIZATION We have continued our policy of promoting from within the organization whenever possible. During the year several promotions were made. Mr. A. J. Savage was promoted to a new position of General Manager of all of the Company's California units. Mr. J. F. Thompson was promoted as Store Manager of Rhodes, Sacramento and Mr. W. R. Schang was promoted as Store Manager of the new Rhodes, Fresno. Mr. E. A. Attebury was advanced from Store Manager of Gateway to General Manager of the two Olds & King stores at Portland and Gateway.

The Company's contribution for the past year to the Profit Sharing Plan and to Health and Welfare Plans totaled \$141,121 compared to \$105,380 last year. On January 31, 1959 there were 1,209 employees participating in the Company's Profit Sharing Plan.

At the close of the year there were 1,868 people employed by the Company. In March 1959 there were 200 additional em-

ployees in the Company as a result of the opening of Rhodes, Fresno.

We wish to thank all of our associates throughout our organization for their hard work, cooperation, and support during the year.

Notice of Annual Meeting of Stockholders and form of Proxy have been mailed separately. We hope you will attend the meeting; however, if you cannot be present, we will appreciate your completing and forwarding your proxy.

For the Board of Directors

John J. Reilly, Jr.
President

John J. Reilly
Chairman of the Board

WESTERN DEPARTMENT STORES

ASSETS

	January 31	
	1959	1958
Current Assets:		
Cash	\$ 5,418,129	\$ 2,559,146
United States Treasury Bills, at cost.....	492,242	496,815
Accounts receivable, less allowance for doubtful accounts— 1959, \$390,202; 1958, \$298,499.....	8,944,980	8,835,662
Merchandise inventories—on hand, at lower of cost or market, as determined by the retail inventory method; in transit, at cost.....	6,713,753	6,172,264
	<u>\$21,569,104</u>	<u>\$18,063,887</u>
 Other assets and deferred charges:		
Unexpired insurance, prepaid taxes and other deferred expenses.....	\$ 306,912	\$ 319,340
Investments (at cost), deposits and other receivables.....	229,653	214,152
	<u>\$ 536,565</u>	<u>\$ 533,492</u>
 Properties, at cost:		
Land	\$ 96,543	\$ 96,543
Furniture, fixtures, equipment, etc.....	5,128,834	4,707,474
Leasehold improvements	3,837,964	3,823,767
Accumulated depreciation and amortization.....	(4,740,784)	(4,177,089)
	<u>\$ 4,322,557</u>	<u>\$ 4,450,695</u>
	<u><u>\$26,428,226</u></u>	<u><u>\$23,048,074</u></u>

BALANCE SHEET . . . (see accompanying notes to financial statements)

LIABILITIES

	January 31	
	1959	1958
Current Liabilities:		
Accounts payable	\$ 2,561,022	\$ 2,011,717
Payrolls, taxes, and other accrued liabilities.....	832,812	765,710
Current instalment on notes payable.....	440,000	
Federal taxes on income, estimated.....	912,024	814,843
	<u>\$ 4,745,858</u>	<u>\$ 3,592,270</u>
 Long-term Notes Payable (Note 1)	 <u>\$ 7,760,000</u>	 <u>\$ 6,200,000</u>
 Stockholders' Equity:		
Capital—Authorized, 1,200,000 shares of Common Stock, par value \$.25 per share—represented by 702,728 issued shares, of which 2,911 shares were held in Treasury on January 31, 1959 (Note 2)	\$ 2,227,001	\$ 2,209,283
Retained earnings, per accompanying statement (Note 1).....	11,695,367	11,046,521
	<u>\$13,922,368</u>	<u>\$13,255,804</u>
	<u><u>\$26,428,226</u></u>	<u><u>\$23,048,074</u></u>

WESTERN DEPARTMENT STORES

Statement of Income

	Year ended January 31	
	1959	1958
Net sales including leased departments.....	\$40,704,446	\$41,021,658
Deduct:		
Cost of sales, operating and administrative expenses (exclusive of those shown below) less credit service charges.....	\$37,352,946	\$38,108,939
Depreciation and amortization.....	625,280	624,438
Contributions under profit-sharing and health, welfare and pension plans.....	141,121	105,380
Interest expense.....	298,520	235,304
	<u>\$38,417,867</u>	<u>\$39,074,061</u>
	\$ 2,286,579	\$ 1,947,597
Other income and credits.....	189,083	153,393
	<u>\$ 2,475,662</u>	<u>\$ 2,100,990</u>
Income before federal income taxes.....		
Federal income taxes — estimated.....	1,270,000	1,085,000
	<u>1,270,000</u>	<u>1,085,000</u>
Net income for the year.....	<u>\$ 1,205,662</u>	<u>\$ 1,015,990</u>

Statement of Retained Earnings

	Year ended January 31	
	1959	1958
Retained earnings at beginning of year.....	\$11,046,521	\$10,781,974
Net income for the year.....	1,205,662	1,015,990
	<u>\$12,252,183</u>	<u>\$11,797,964</u>
Less cash dividends paid:		
1959, \$.80 per share; 1958, \$1.00 per share.....	556,816	699,872
Cost of treasury stock purchased.....		51,571
	<u>556,816</u>	<u>751,443</u>
Retained earnings at end of year (Note 1).....	<u>\$11,695,367</u>	<u>\$11,046,521</u>

Notes to Financial Statements, January 31, 1959

Note 1:

The notes bear interest at $4\frac{1}{4}\%$ and are payable to an insurance company in annual instalments of \$440,000 commencing October 1, 1959, with the balance payable on October 1, 1973. The loan agreement places certain restrictions on the payment of cash dividends; retained earnings at January 31, 1959 not so restricted were \$787,298.

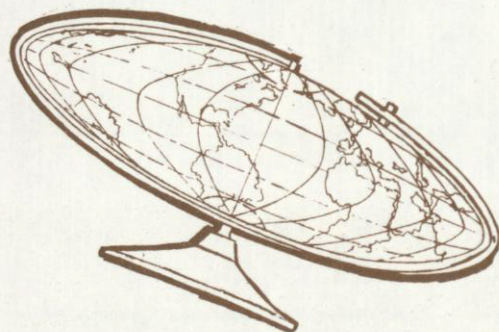
Note 2:

During the year 4,500 shares of treasury stock were sold to thirteen employees at \$13.00 per share, payable over a five-year period with interest on the unpaid balance. The proceeds from sales, \$58,500, less cancellations of sales to employees in prior years of \$40,782, were added to Capital. In prior years the par value of the Common Stock and the capital in excess of the par value were shown separately in the balance sheet; at January 31, 1959 these accounts have been combined.

Note 3:

The Company occupies all of its stores under leases which expire at dates from 1972 to 1990. The leases provide for rentals based on sales with a guaranteed minimum. The minimum annual rental obligation under these leases (including the Fresno store which opened March 6, 1959) is approximately \$1,100,000.

Report of Independent Public Accountants . . .



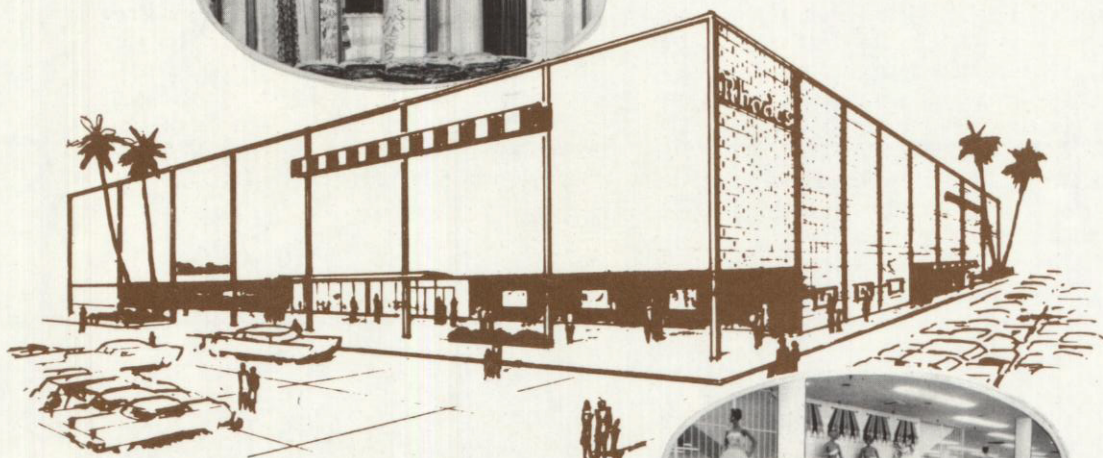
To the Board of Directors and Stockholders of Western Department Stores

In our opinion, the accompanying statements present fairly the financial position of Western Department Stores at January 31, 1959 and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

San Francisco
March 18, 1959

PRICE WATERHOUSE & CO.

Western Department Stores bring a **NEW**



The eighth of our worlds of shopping, Rhodes of Fresno, opened at noon on Friday, March 6, in Manchester Center, a thriving suburban area about 3 miles from downtown Fresno. This highly successful shopping center has been in operation for over three years, and the new Rhodes was a most welcome addition.

The new Rhodes is 110,000 square feet, a two-story and utility-basement building of textured, reinforced concrete, with exposed steel beams for colorful exterior accent, an overhang of second story that forms a covered walkway and promenade, and many other departures in design and finish.

RHODES

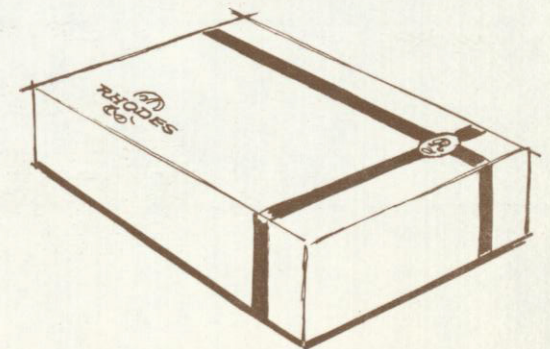
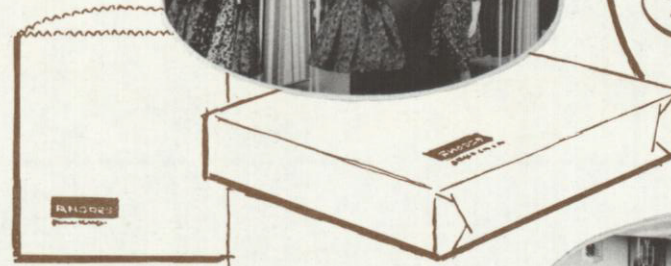
FRESNO • BALDWIN 2-5111

World of shopping to Fresno, California

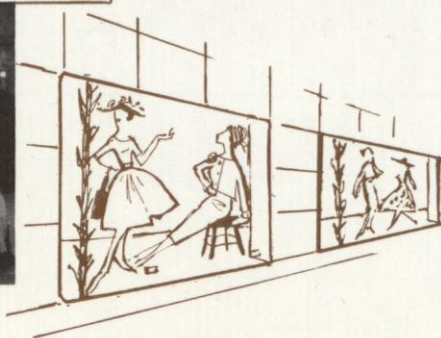
Completely air conditioned, Rhodes is a model of customer comfort and efficiency, with unusual variety of woods, specially designed and painted murals, and newly effective lighting. There is a central escalator, as well as an elevator for service between floors.

Serving Fresno's trading area of over 350,000 people, the new Rhodes is ideally situated to become a shopping mecca for suburbanites and college students, as well as for old-time residents. Nearby communities, like Hanford, Visalia, and Tulare, are within close driving distance of Manchester Center.

Rhodes is located in a fast-growing area of new and moderate to high-middle income families, and promises to become one of the best-patronized stores in Fresno. Rhodes . . . our eighth world of shopping.



What makes the WORLD of SHOPPING



The world of a department store offers a customer not only a market place in which to fill her needs, those of her family and home, but the news, the excitement of fashion shows and special features, and a way for her to "keep up with the world" as well.

Behind the scenes in this world of shopping are all the people necessary to keep the store running, keep the merchandise flowing, keep the business accounts up to date, and to make all this possible by creating a customer desire for the merchandise.

Our store buyers travel to markets both local and far afield, to check the best factories, find the best resources, get the best prices for merchandise that is right for our customers. In the fast-turning fashion business, the buyers make many trips to New York, Los Angeles, and other fashion markets, while home division buyers contact local firms and attend local market weeks as well. Daily, the flow of merchandise, both in and out, continues.

To keep our customers informed about the new, the improved, the special item, our Advertising Departments produce ads in local media, turn out direct-mail pieces, handle local publicity on items of fashion or home interest. These ads have a three-fold purpose: to present the merchandise with a maximum of customer appeal; to create a desire to buy; and to establish the character of the individual store.

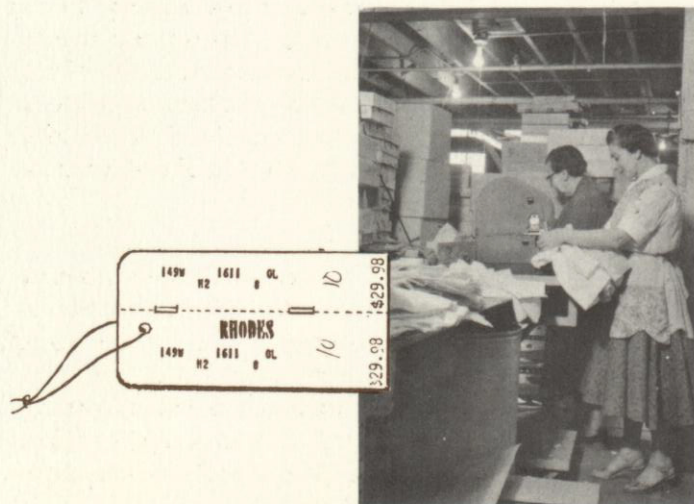
go 'round

Just as important is the Display Department, which works constantly to change interior displays and signs, exterior windows and signs, and to keep the store feeling "seasonal" with color and trim. By their dramatization of merchandise, they help sell the customer who either comes as a result of an ad, or who comes in as a casual shopper, "just looking".

Other people behind this world of shopping are fully as important: the men at the loading docks where merchandise arrives; the people in receiving and marking rooms; the traffic office staff; the people work-

ing on deliveries. Added to these are the business office staff, the selling personnel, the supervisory people.

Every bit of the work, both behind the scenes and out on the selling floor, is done, just as advertising and display are, for one purpose: to sell merchandise to the customer. We seek her favor, her loyalty, her goodwill with every plan and purchase. Because of her, all this work is done, and without her, our world of shopping could not exist, for our customer, really, is what makes our world of shopping go 'round!



THE CUSTOMER . . . AND THE PEOPLE WHO SERVE HER



WORLDS OF SHOPPING

